

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 644 - HB 1715

March 30, 2009

SUMMARY OF BILL: Prohibits the Bureau of TennCare from requiring prior authorization, implementing step edits or prescription limits, or otherwise restricting single source or brand name multi-source drugs prescribed for the treatment of cancer or HIV/AIDS.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$2,519,400

Increase Federal Expenditures - \$7,222,400

Assumptions:

- According to the Bureau of TennCare, utilization management, including preferred drug lists, point of sale edits, prior authorization processes, and other prescription limits has reduced the per member per month rate by approximately \$62.80 resulting in pharmacy savings of \$779,342,976 ($\$62.80 \times 12 \text{ months} \times 1,034,160 \text{ enrollees}$) in calendar year 2008.
- Approximately five percent of the program's total pharmacy expenditures are for medications used almost exclusively for cancer and HIV/AIDS treatment. It is estimated that the prohibition of utilization management will prevent TennCare from realizing the savings for these drugs.
- Assuming that five percent, or \$38,967,149 ($\$779,342,976 \times .05$), of the total savings would no longer be realized is unrealistic because many of the drugs do not currently count against benefit limits and the Bureau assumes that medically necessary exceptions will still be made.
- The bureau estimates that approximately 75 percent will be realized, resulting in an increase in expenditures of \$9,741,787 ($\$38,967,149 \times .25$)
- Of the \$9,741,787 increase, \$2,519,421 will be state funds at a rate of 25.862 percent and \$7,222,366.

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CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/kml